

The National Bank of Ras Al-Khaimah (P.S.C.)

**Condensed interim financial information
for the three months ended 31 March 2009**

The National Bank of Ras Al-Khaimah (P.S.C.)

Condensed interim financial information for the three months ended 31 March 2009

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Review report to the Directors of The National Bank of Ras Al-Khaimah (P.S.C.)

Introduction

We have reviewed the accompanying condensed interim balance sheet of The National Bank of Ras Al-Khaimah (P.S.C.) ("the Bank") as of 31 March 2009 and the related condensed income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

PricewaterhouseCoopers
25 April 2009



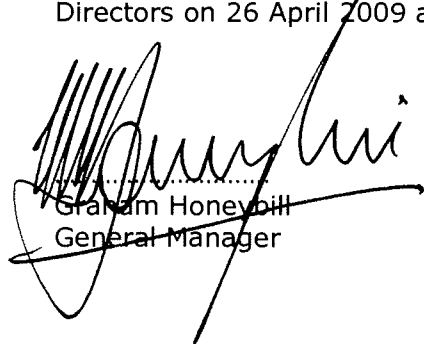
Amin H Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

The National Bank of Ras Al-Khaimah (P.S.C.)

Balance sheet

	Notes	31 March 2009 AED'000	31 December 2008 AED'000
ASSETS			
Cash and balances with the UAE Central Bank	3	1,077,136	852,925
Due from other banks		719,718	967,526
Loans and advances	4(a)	11,549,472	10,950,509
Investment securities	5	519,541	645,072
Property and equipment		471,204	377,138
Other assets		145,853	128,894
Total assets		14,482,924	13,922,064
LIABILITIES			
Due to other banks		106,462	185,873
Due to customers		10,556,271	9,653,665
Debt security in issue		1,277,903	1,644,026
Other liabilities		305,008	330,484
Provision for employees' end of service benefits		31,046	29,336
Total liabilities		12,276,690	11,843,384
Equity			
Share capital	6	962,033	740,025
Share premium		110,350	110,350
Retained earnings		358,050	456,687
Other reserves	7	775,801	771,618
Total equity		2,206,234	2,078,680
Total liabilities and equity		14,482,924	13,922,064

This condensed interim financial information was approved by the Board of Directors on 26 April 2009 and was signed on its behalf by:



 Graham Honeybill
 General Manager

The National Bank of Ras Al-Khaimah (P.S.C.)

Income statement

	Notes	Three months ended 31 March	
		2009	2008
		AED'000	AED'000
Interest income		352,890	256,801
Interest expense		(104,509)	(71,679)
Net interest income		<u>248,381</u>	<u>185,122</u>
Fee and commission income		100,531	94,665
Foreign exchange income		7,444	12,479
Investment income		7,087	8,099
Other operating income		2,652	1,809
Operating income		<u>366,095</u>	<u>302,174</u>
Operating expenses		(178,730)	(142,749)
Provision for impairment of loans and advances net of write back	4(c)	(26,993)	(17,115)
Profit for the period		<u>160,372</u>	<u>142,310</u>
Basic earnings per share	10	<u>AED 0.17</u>	<u>AED 0.15</u>

The National Bank of Ras Al-Khaimah (P.S.C.)

Statement of comprehensive income

	Notes	Three months ended 31 March	
		2009 AED'000	2008 AED'000
Profit for the period		160,372	142,310
Other comprehensive income:			
Net changes in fair value of available-for-sale investment securities	5	4,183	(12,303)
Other comprehensive income for the period		4,183	(12,303)
Total comprehensive income for the period		<u>164,555</u>	<u>130,007</u>

The National Bank of Ras Al-Khaimah (P.S.C.)

Statement of changes in equity

	Share capital AED'000	Share premium AED'000	Retained earnings AED'000	Other reserves AED'000	Total AED'000
At 1 January 2008	616,688	110,350	343,974	505,989	1,577,001
Issue of bonus shares (Note 6)	123,337	-	(123,337)	-	-
Dividend (Note 6)	-	-	(61,668)	-	(61,668)
Total comprehensive income for the period	-	-	142,310	(12,303)	130,007
At 31 March 2008	<u>740,025</u>	<u>110,350</u>	<u>301,279</u>	<u>493,686</u>	<u>1,645,340</u>
At 1 January 2009	740,025	110,350	456,687	771,618	2,078,680
Issue of bonus shares (Note 6)	222,008	-	(222,008)	-	-
Dividend (Note 6)	-	-	(37,001)	-	(37,001)
Total comprehensive income for the period	-	-	160,372	4,183	164,555
At 31 March 2009	<u>962,033</u>	<u>110,350</u>	<u>358,050</u>	<u>775,801</u>	<u>2,206,234</u>

The National Bank of Ras Al-Khaimah (P.S.C.)

Statement of cash flows

	Notes	Three months ended 31 March	
		2009 AED'000	2008 AED'000
Operating activities			
Profit for the period		160,372	142,310
Adjustments:			
Net charge for provision for impairment of loans and advances	4(c)	26,993	17,115
Depreciation		8,643	6,031
Provision for employees' end of service benefits		2,267	2,208
Gain on disposal of property and equipment		-	(37)
Amortisation of discount relating to debt security in issue		231	260
Amortisation of discount relating to securities held to maturity	5	(608)	(36)
Operating cash flows before changes in assets and liabilities		197,898	167,851
Payment of employees' end of service benefits		(557)	(1,509)
Changes in assets and liabilities:			
Deposits with the UAE Central Bank		81,965	156,159
Due from other banks with maturities over three months		-	92,071
Loans and advances net of provisions for impairment		(625,956)	(695,940)
Other assets		(16,959)	(57,805)
Due to other banks		(79,411)	126,752
Due to customers		902,606	596,682
Other liabilities		(25,476)	28,434
Net cash generated from operating activities		434,110	412,695
Investing activities			
Purchase of investment securities	5	(78,328)	(26,402)
Purchase of property and equipment		(102,709)	(4,010)
Proceeds from maturity/disposal of investments	5	208,650	-
Proceeds from disposal of property and equipment		-	57
Net cash provided by/(used in) investing activities		27,613	(30,355)
Financing activities			
Dividends paid	6	(37,001)	(61,668)
Maturity of debt security in issue		(366,354)	-
Cash used in financing activities		(403,355)	(61,668)
Net increase in cash and cash equivalents		58,368	320,672
Cash and cash equivalents, beginning of the period		1,107,783	747,837
Cash and cash equivalents, end of the period	12	1,166,151	1,068,509

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009

1 Incorporation and principal activities

The National Bank of Ras Al-Khaimah ("the Bank") is a public shareholding company incorporated in the Emirate of Ras Al-Khaimah in the United Arab Emirates ("UAE"). The head office of the Bank is located at National Bank of Ras Al-Khaimah building, Oman Street, Al Nakheel, Ras Al-Khaimah.

The Bank is engaged in providing commercial banking services through a network of twenty five branches in the UAE.

2 Significant accounting policies

The condensed interim financial information is prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The condensed interim financial information is prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and derivative financial instruments.

The accounting policies applied in the preparation of the condensed interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2008.

The condensed interim financial information should therefore be read in conjunction with the year ended 31 December 2008 financial statements.

Costs that occur unevenly during the financial year are anticipated or deferred in the condensed interim financial information only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

Standards and interpretations to published standards that are effective for accounting period beginning on or after 1 January 2009

The following new standard, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009.

- IFRS 8 - 'Operating segments' (effective for annual periods commencing 1 January 2009).
- IAS 23 (amendment), 'Borrowing costs' (effective for annual periods commencing 1 January 2009).
- IFRS 2 (amendment) 'Share-based payment' (effective for annual periods commencing 1 January 2009).
- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.
- IAS 1 (amendment), 'Presentation of financial statements' (effective for annual periods commencing 1 January 2009).

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

2 Significant accounting policies (continued)

Standards and interpretations to published standards that are effective for accounting period beginning on or after 1 January 2009 (continued)

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements' (effective for annual periods commencing 1 January 2009).
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods commencing 1 July 2009).
- IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective for annual periods commencing 1 July 2009).
- IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods commencing 1 January 2009).
- IAS 36 (amendment), 'Impairment of assets' (effective for annual periods commencing 1 January 2009).
- IAS 38 (amendment), 'Intangible assets' (effective for annual periods commencing 1 January 2009).
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective for annual periods commencing 1 January 2009).
- IFRIC 13, 'Customer loyalty programmes' (effective for annual periods commencing 1 July 2008).
- IAS 31 (amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective for annual periods commencing 1 January 2009).
- IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16) (effective for annual periods commencing 1 January 2009).

Management has assessed the impact of the above standard, amendments and interpretations to published standards on the Bank's financial statements and has concluded that they are not relevant to the Bank's financial statements, except for the amendment to IAS 1, which will affect the presentation of the statement of changes in equity and of comprehensive income and IFRS 8. The amendment to IAS 1 does not impact the recognition, measurement or disclosure of specific transactions and other events required by other IFRS.

The application of the amendment to IAS 1 and IFRS 8 has been included in this condensed interim financial information.

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

3 Cash and balances with the UAE Central Bank

	31 March 2009 AED'000	31 December 2008 AED'000
Cash in hand	191,618	140,257
Statutory deposit with the UAE Central Bank	600,703	607,668
Balances with the UAE Central Bank	284,815	105,000
	<u>1,077,136</u>	<u>852,925</u>

The statutory deposit with the UAE Central Bank is not available to finance the day to day operations of the Bank. Balances with the UAE Central Bank include certificates of deposit of AED 30 million (31 December 2008: AED 105 million).

4 Loans and advances

	31 March 2009 AED'000	31 December 2008 AED'000
4(a) Loans and advances		
Loans	11,199,254	10,461,354
Overdrafts	444,075	550,461
Loans against trust receipts	94,095	119,455
Bills discounted	38,555	39,101
Others	10,508	5,454
Total loans and advances	<u>11,786,487</u>	<u>11,175,825</u>
Provision for impairment (Note 4(b))	(237,015)	(225,316)
Net loans and advances	<u>11,549,472</u>	<u>10,950,509</u>

4(b) Provision for impairment

Balance brought forward	225,316	217,821
Net charge for provision for impairment during the period /year	36,300	98,707
Written off during the period/year	(24,601)	(91,212)
Balance carried forward	<u>237,015</u>	<u>225,316</u>

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

4 Loans and advances (continued)

4(c) Net charge for the period

	Three months ended 31 March	
	2009 AED'000	2008 AED'000
Net charge for provision for impairment during the period (Note 4(b))	36,300	22,223
Write back during the period	(9,307)	(5,108)
	<u>26,993</u>	<u>17,115</u>

4(d) Classified loans and advances

At 31 March 2009, the aggregate amount of non-performing loans amounted to AED 187.65 million (31 December 2008: AED 168.05 million). Provisions in relation to such loans amounted to AED 133.32 million as at 31 March 2009 (31 December 2008: AED 125.32 million).

5 Investment securities

	31 March 2009 AED'000	31 December 2008 AED'000
Securities available-for-sale		
Quoted equity securities	1,610	1,708
Quoted debt securities	177,484	176,414
Unquoted debt securities	49,375	229,814
	<u>228,469</u>	<u>407,936</u>
Securities held-to-maturity		
Quoted debt securities	291,072	237,136
Total investment securities	<u>519,541</u>	<u>645,072</u>

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

5 Investment securities (continued)

The movement in investment securities is summarised as follows:

	Securities available-for- sale	Securities held – to – maturity	Total
	AED'000	AED'000	AED'000
At 1 January 2008	490,869	135,286	626,155
Purchases	26,402	-	26,402
Changes in fair value	(12,303)	-	(12,303)
Amortisation of discount	-	36	36
At 31 March 2008	<u>504,968</u>	<u>135,322</u>	<u>640,290</u>
At 1 January 2009	407,936	237,136	645,072
Purchases	-	78,328	78,328
Disposal/Maturity	(183,650)	(25,000)	(208,650)
Changes in fair value	4,183	-	4,183
Amortisation of discount	-	608	608
At 31 March 2009	<u>228,469</u>	<u>291,072</u>	<u>519,541</u>

6 Share capital and dividend

At 31 March 2009, the authorised, issued and fully paid share capital of the Bank comprises 962.03 million shares of AED 1 each (31 December 2008: 740.03 million shares of AED 1 each).

At the Annual General Meeting of the shareholders held on 10 March 2009, the shareholders of the Bank approved a stock dividend (issue of bonus shares) in respect of 2008 at 30% of the issued and paid up capital amounting to AED 222 million (2007: AED 123.34 million) and cash dividend at 5% of the issued and paid up capital amounting to AED 37 million (2007: 61.67 million).

7 Other reserves

Other reserves include legal reserve and voluntary reserve. In accordance with the Articles of Association of the Bank, 10% of the net profit for the year is to be transferred to a legal reserve until such time as the balance in the reserve equals 50% of the issued share capital and 10% of the net profit for the year is to be transferred to a voluntary reserve until such time as the balance in the reserve equals 20% of the issued share capital. No allocations to the legal reserve and the voluntary reserve have been made for the three month period ended 31 March 2009, as these will be effected at the year end based on the Bank's results for the year ending 31 December 2009.

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

8 Contingencies and commitments

	31 March 2009 AED'000	31 December 2008 AED'000
Letters of guarantee	417,038	405,146
Letters of credit	47,103	70,438
Acceptances	25,310	25,273
Commitments to extend credit	4,148,509	3,735,728
Capital commitments	14,784	14,784
Other	-	96
	<u>4,652,744</u>	<u>4,251,465</u>

9 Forward foreign exchange contracts

Forward foreign exchange contracts comprise commitments to purchase foreign and domestic currencies on behalf of customers and in respect of the Bank's undelivered spot transactions.

Outstanding foreign forward exchange transactions at 31 March 2009 and 31 December 2008 are as follows:

	Contract amount AED'000	Fair value AED'000
31 March 2009	<u>210,071</u>	<u>(859)</u>
31 December 2008	<u>118,273</u>	<u>123</u>

10 Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. In accordance with IAS 33 - Earnings Per Share, the impact of bonus shares issued have been considered retrospectively while computing the weighted average number of ordinary shares during all periods presented. The weighted average number of ordinary shares during the period ended 31 March 2009 amounted to 962,033,280 shares (31 March 2008: 962,033,280 shares).

11 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse to itself. At 31 March 2009, such assets amounted to AED 379.12 million (31 December 2008: AED 481.41 million) and are excluded from the financial statements of the Bank.

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

12 Cash and cash equivalents

	At 31 March	
	2009 AED'000	2008 AED'000
Cash in hand (Note 3)	191,618	154,496
Current account with the UAE Central Bank	254,815	14,373
Certificates of deposit with the UAE Central Bank	-	190,000
Due from other banks	719,718	709,640
	<u>1,166,151</u>	<u>1,068,509</u>

13 Business segments

Management has determined the operating segments based on the reports reviewed by the Board Directors that are used to make strategic decisions.

The Board of Directors considers the business from a departmental perspective. The business is split into Retail Banking, Corporate Banking and Treasury.

The reportable operating segments derive their revenue primarily from the Retail, Corporate and Treasury products offered to customers. Although corporate/business banking does not meet the quantitative thresholds to be disclosed as a segment management believes that information about this segment would be useful to users of the condensed interim financial information. Sales between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement.

The segment information provided to the Board of Directors for the reportable segments for the period ended 31 March 2009 is as follows:

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Three months ended 31 March 2009				
Total segment revenue	495,874	36,724	55,563	588,161
Inter-segment revenue	(59,185)	(17,875)	(40,497)	(117,557)
	<u>436,689</u>	<u>18,849</u>	<u>15,066</u>	<u>470,604</u>
Total revenue from external customers	436,689	18,849	15,066	470,604
Segment result	182,121	6,878	10,881	199,880
Unallocated costs				(39,508)
Net profit for the period				<u>160,372</u>

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

13 Business segments (continued)

	Retail banking AED' 000	Business banking AED' 000	Treasury and others AED' 000	Total AED' 000
Three months ended 31 March 2009 (continued)				
Impairment charge	23,301	(8)	3,700	26,993
Depreciation	4,653	199	3,791	8,643
At 31 March 2009				
Total assets	11,400,479	592,775	2,489,670	14,482,924
Total liabilities	6,483,880	2,881,402	2,911,408	12,276,690
Three months ended 31 March 2008				
Total segment revenue	388,047	29,824	56,756	474,627
Inter-segment revenue	(57,644)	(12,441)	(30,689)	(100,774)
Total revenue from external customers	330,403	17,383	26,067	373,853
Segment result	149,204	9,663	13,568	172,435
Unallocated costs	-	-	-	(30,125)
Net profit for the period				142,310
Impairment charge	10,140	725	6,250	17,115
Depreciation	3,607	134	2,290	6,031
At 31 December 2008				
Total assets	10,755,435	659,390	2,507,239	13,922,064
Total liabilities	5,998,942	2,451,628	3,392,814	11,843,384

The National Bank of Ras Al-Khaimah (P.S.C.)

Notes to the condensed interim financial information for the three months ended 31 March 2009 (continued)

14 Related parties balances

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Bank entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

	31 March 2009 AED'000	31 March 2008 AED'000
Transactions during the period		
Interest income	703	219
Interest expense	5,765	2,146
Commission income	59	231
Directors' remuneration	888	648
Remuneration payable to key management personnel	3,015	2,915
	<u>3,015</u>	<u>2,915</u>
	31 March 2009 AED'000	31 December 2008 AED'000
Balances		
Loans and advances:		
- Shareholders and their related companies	31,304	45,164
- Directors and their related companies	11,831	11,291
	<u>43,135</u>	<u>56,455</u>
Due to customers:		
- Shareholders and their related companies	489,177	425,991
- Directors and their related companies	135,976	82,390
	<u>625,153</u>	<u>508,381</u>
Irrevocable commitments and contingent liabilities		
- Shareholders and their related companies	50,369	56,416
- Directors and their related companies	889	11,594
	<u>51,258</u>	<u>68,010</u>